

Message Text

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ACTION AF-07

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-05 NSAE-00 RSC-01 TRSE-00 XMB-02 OPIC-03 SP-02

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3. O. 11652: N/A

TAGS: EFIN ET

SUBJ: FY-75 ETHIOPIAN BUDGET

1. DURING NOV 14. CONVERSATION WITH FINMIN ATO NEGASH DESTA,
FINMIN MADE FOLLOWING POINTS TO ECON COUNSELOR.

2. SUPPLEMENTAL BUDGET: AN OFFICIAL FY-75 SUPPLEMENTAL BUDGET
MAY NOT BE PUBLISHED UNTIL MUCH LATER IN FY (IF AT ALL)
BECAUSE CURRENT GOVERNMENT IS DEVELOPING ITS PROGRAMS AS IT
GOES ALONG. CONSEQUENTLY, COUNCIL OF MINISTERS IS MAKING
FINANCIAL DECISIONS ON CASE BY CASE BASIS. TOTAL BUDGET
(ORDINARY PLUS CAPITAL BUDGET) WILL PROBABLY TURN OUT TO BE
AROUND ETH\$1 BILLION, ETH\$700 MILLION OF WHICH FOR ORDINARY
BUDGET AND ETH\$300 MILLION FOR CAPITAL BUDGET. REVENUE COLLECTIONS
CONTINUE AT HIGHER THAN EXPECTED LEVELS AND, BASED ON CURRENT
PROJECTIONS, MAY REACH ETH\$750 MILLION IN FY-75 (COMPARED WITH
ORIGINAL ESTIMATE OF ETH\$661 MILLION). HE ATTRIBUTES HIGH
LEVEL OF REVENUE RECEIPTS TO STRONG PERFORMANCE OF ETHIOPIAN
EXTERNAL SECTOR PLUS MORE CONSCIENTIOUSNESS ON PART OF THE
ETHIOPIAN TAXPAYERS. IN ORDER TO FINANCE LOCAL CURRENCY COSTS
FOR CAPITAL BUDGET BEYOND ETH\$50 MILLION REVENUE SURPLUS
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(DIFFERENCE BETWEEN REVENUES AND ORDINARY BUDGET OUTLAYS),

FINMIN PLANS TO REPLY ON DEFICIT FINANCE PROGRAM. Owing to high liquidity in private sector he believes government can raise funds there rather than borrow from National Bank; in other words deficit financing should not be inflationary. He stated that under no circumstances will deficit finance be used to cover ordinary budget outlays.

3. DVELEOPMENT PROGRAM: ATO NEGASH INDICATED THAT GOVERNMENT WILL ANNOUNCE NUMBEROF DEVELOPMENT PROJECTS OVER THE NEXT 2 TO 3 MONTHS. THE FIRST HAS ALREADY BEEN MADE PUBLIC, A BRITISH FINANCED PROJECT TO CONSTRUCT ROADS IN WOLLO (ANNOUNCED ABOUT A WEEK AGO). PROJECTS WILL INCLUDE ROAD CONSTRUCTION, PUBLIC BUILDING CONSTRUCTION, FARM PONDS, WELLS, ETC., AND SOME LARGER PROJECTS POSSIBLY INCLUDING THE WABE SHABELLE IRRIGATION/HYDROELECTRIC PROJECT, WHICH IS CURRENTLY UNDER INSTENSIVE REVIEW. HE EXPECTS THAT ETHIOPIA WILL HAVE TO USE SOME OF ITS OWN FOREIGN EXCHANGE TO SUPPLEMENT CONTRIBUTIONS FROM DONORS FOR THESE UNDERTAKINGS AS COSTS HAVE INCREASED SINCE ESTIMATES WERE ORIGINALLY MADE. AS THE OBJECTIVE OF THESE EFFORTS IS TO PROVIDE EMPLOYMENT AS WELL AS INCREASE THE PRODUCTION CAPACITY OF THE COUNTRY, THE GOVERNMENT WILL USE LABOR INTENSIVE TECHNIQUES TO THE EXTENT IT REASONABLY CAN.

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